



Congress of the United States
House of Representatives

December 3, 2012

The President
The White House
1600 Pennsylvania Avenue, Northwest
Washington, DC 20500

Dear Mr. President,

After a status quo election in which both you and the Republican majority in the House were re-elected, the American people rightly expect both parties to come together on a fair middle ground and address the nation's most pressing challenges.

To that end, shortly after the election, we presented you with a balanced framework for averting the fiscal cliff by coupling spending cuts and reforms with new tax revenue. We then welcomed Secretary Geithner to the Capitol on November 29 with every expectation that he would lay out a similarly reasonable path.

Regrettably, the proposal he outlined on behalf of your Administration contains very little in the way of common ground. The proposal calls for \$1.6 trillion in new tax revenue, twice the amount you supported during the campaign. The proposal also includes four times as much tax revenue as spending cuts, in stark contrast to the "balanced approach" on which you campaigned. While administration officials are claiming that this proposal contains 2.5 dollars of spending cuts for each dollar in new revenue, counting as part of this ratio previously enacted savings – as if these were new spending reductions – only confuses the public debate. What's worse, the modest spending cuts in this offer are cancelled out by the additional 'stimulus' measures the Administration is requesting. And, this proposal would remove any and all limits on federal borrowing.

We cannot in good conscience agree to this approach, which is neither balanced nor realistic. If we were to take your Administration's proposal at face value, then we would counter with the House-passed Budget Resolution. It assumes an overhaul of our tax code with revenue remaining at historically normal levels and proposes structural reforms to preserve and protect the Nation's entitlement programs, ensuring they are sustainable for the long-term rather than continuing to grow out of control.

Some of its key reforms include:

- The House-passed Budget Resolution assumes enactment of structural Medicare reform that offers future beneficiaries guaranteed coverage options, including a traditional fee-for-service Medicare plan. This proposal is based on recent bipartisan efforts and would provide greater support for the poor and the sick and less support for the wealthy. We achieve these reforms in Medicare without affecting current seniors or those nearing retirement. This would slow the projected explosive spending growth in this program and eventually maintain Medicare spending as a share of the economy at 4.75 percent, thus saving the program for future generations.
- The House-passed Budget Resolution reforms Medicaid and provides states with greater flexibility to better deliver health security to beneficiaries, saving the federal government nearly \$800 billion over 10 years.
- Separate from savings in our proposal for the 2010 health care law, the House-passed Budget Resolution envisions hundreds of billions in savings in other mandatory spending, including reforms to Federal employee compensation and the Supplemental Nutrition Assistance Program.

These reforms are, in our view, absolutely essential to addressing the true drivers of our debt, and we will continue to support and advance them. At the same time, mindful of the status quo election and past exchanges on these questions, we recognize it would be counterproductive to publicly or privately propose entitlement reforms that you and the leaders of your party appear unwilling to support in the near-term.

With the fiscal cliff nearing, our priority remains finding a reasonable solution that can pass both the House and the Senate, and be signed into law in the next couple of weeks. The best way to do this is by learning from and building on the bipartisan discussions that have occurred during this Congress, including the Biden Group, the Joint Select Committee, and our negotiations leading up to the Budget Control Act.

For instance, on November 1 of last year, Erskine Bowles, the co-chair of your debt commission, presented the Joint Select Committee with a middle ground approach that garnered praise from many fiscal watchdogs and nonpartisan experts. He recommended that both parties agree to a balanced package that includes significant spending cuts as well as \$800 billion in new revenue.

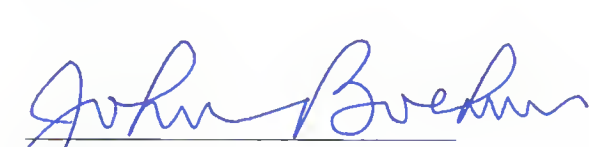

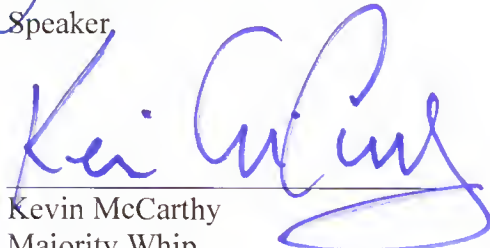

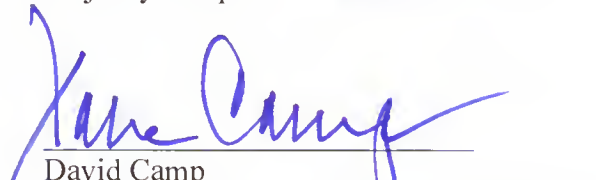

Notably, the new revenue in the Bowles plan would not be achieved through higher tax rates, which we continue to oppose and will not agree to in order to protect small businesses and our economy. Instead, new revenue would be generated through pro-growth tax reform that closes special-interest loopholes and deductions while lowering rates. On the spending side, the Bowles recommendation would cut more than \$900 billion in mandatory spending and another \$300 billion in discretionary spending. These cuts would be over and above the spending reductions enacted in the *Budget Control Act*.

This is by no means an adequate long-term solution, as resolving our long-term fiscal crisis will require fundamental entitlement reform. Indeed, the Bowles plan is exactly the kind of imperfect, but fair middle ground that allows us to avert the fiscal cliff without hurting our economy and destroying jobs. We believe it warrants immediate consideration.

If you are agreeable to this framework, we are ready and eager to begin discussions about how to structure these reforms so that the American people can be confident that these targets will be reached.

Again, the American people expect their leaders to find fair middle ground to address the nation's most pressing challenges. To achieve that outcome, we respectfully request that you respond to this letter in a timely fashion and hope that you will refrain from any further action that would undermine good-faith efforts to reach a reasonable and equitable agreement in this critical matter.

Sincerely,


John Boehner
Speaker
Eric Cantor
Majority Leader
Kevin McCarthy
Majority Whip
Cathy McMorris Rodgers
Republican Conference Chairman
David Camp
Chairman, Committee on Ways and Means
Paul Ryan
Chairman, Committee on the Budget
Fred Upton
Chairman, Committee on Energy & Commerce